



KING COUNTY INVESTMENT POOL NEWSLETTER

Volume 13, Number 9 September-2008

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Portfolio Breakdown

The following is a breakdown of the Investment Pool holdings for September 2008

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,810,468	70.4%
Commercial Paper	-	0.0%
Taxable Municipal Securities	17,335	0.4%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	73,901	1.8%
Repurchase Agreements	131,467	3.3%
Treasury Securities	249,675	6.2%
Certificates of Deposit	350,495	8.8%
Local Government Investment Pool	361,605	9.1%
Reverse Repurchase Agreements	-	0.0%
Total	\$3,994,946	

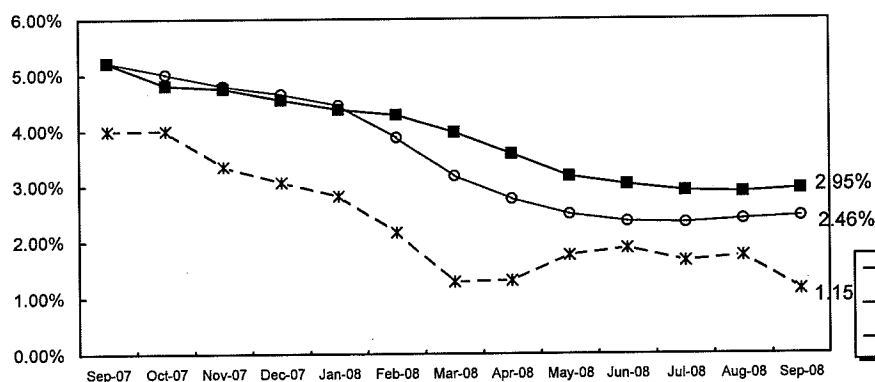
*Average Pool Effective Duration: 0.50 Years

*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

King County Pool Rating

In January 2008, the rating of the King County investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Standard & Poor's took this action because they have not been able to receive timely information about the impaired investments due to the confidential nature of the various enforcement events and related restructuring proceedings. Based on the current expectation that restructuring proposals will be executed during the second half of 2008, King County fully expects the pool's AAAf rating to be restored during the second half of 2008.

Investment Pool Performance (before Pool fees)



(1) King County Pool Distribution rate has not been adjusted yet for realized losses from impaired commercial paper investments.

Pool Net Asset Fair Value on September 30, 2008

Net Assets (2)	4,056,790,753.74
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	4,048,741,571.02
Undistributed and unrealized gains(losses)	8,049,182.72
Net Assets	4,056,790,753.74
Net asset value at fair value price per share (\$4,056,790,753.74 divided by 4,048,741,571.02 units)	<u>1.0020</u>

(2) Excludes impaired assets that have been separated into a separate pool.

The impaired securities have been removed from this report because earlier this year, the King County Executive Finance Committee approved bifurcation of the investment pool so that the impaired investments would be in their own impaired pool separate from the main pool of "performing" investments. The effective date of September 1st was selected based on input from pool members. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

Beginning in September, your funds in the impaired pool will not earn interest on bifurcated amounts, nor be charged the investment pool fee. The pool will continue to follow the holding period method in the impaired investment policy to account for realized and unrealized losses on the impaired investments. The bifurcated amount was placed in general ledger account 10108, Reserve - Impaired Investments. The amount bifurcated is equal to each fund's maximum risk of loss amount as of September 1, 2008.

The vast majority of the amount remaining bifurcated as of September 30th is associated with Victoria, the one investment waiting for structuring. There are also "tail" payments from the other three restructurings (Cheyne, Rhinebridge and Mainsail) that will remain bifurcated until such time that we receive future cash payments and convert the remaining unrealized losses into realized losses. Page 2 of this newsletter contains a report showing the status of these bifurcated investments.

King County remains committed to sharing information with pool members about investment holdings and the impacts of the current turmoil in global credit markets. Please call the Treasury Operations number at 206-296-7326 if you have questions or need any additional information.

**Impaired Pool Holdings Report
 9/30/2008**

Commercial Paper Issuer	Status	Current Book Value	Estimated Future Cash Recovery	Estimated Future Unrealized Loss
Mainsail II (1)	Restructured	3,022,926.58	782,000.00	2,240,926.58
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.89
Victoria Finance (2)	Restructuring In Progress	52,879,463.00	29,083,704.65	23,795,758.35
Total		58,575,200.60	31,508,054.65	27,067,145.96

Fair Value Ratio	0.5379
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance restructuring is not complete. Using market price to estimate cash recovery and unrealized loss.